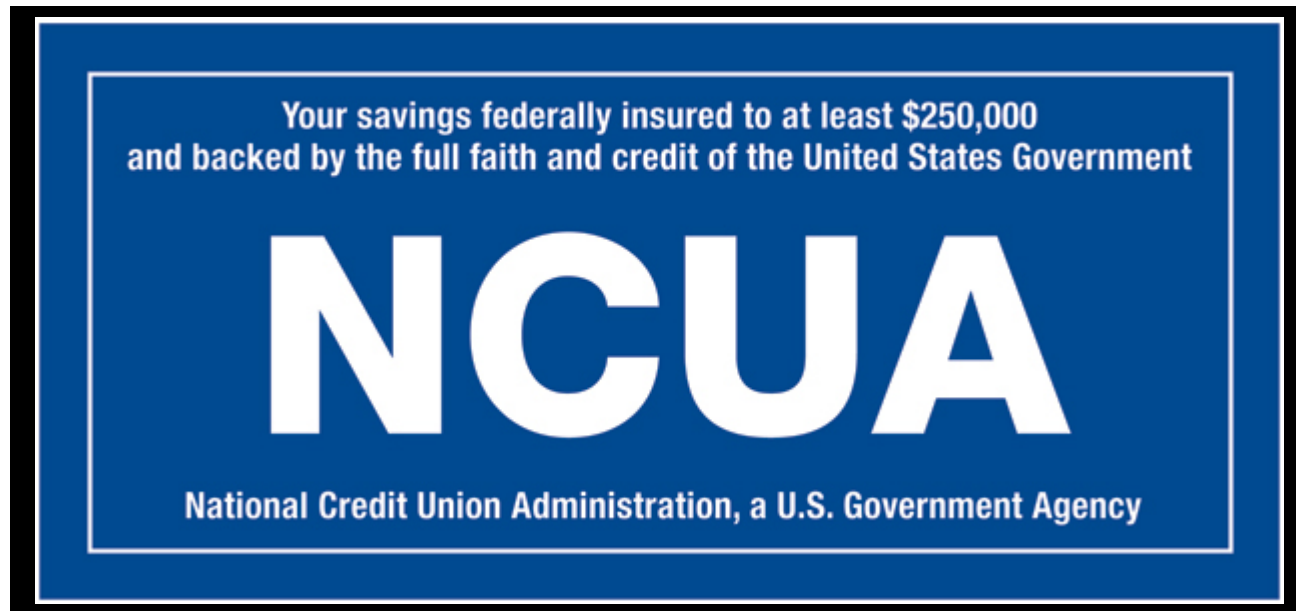


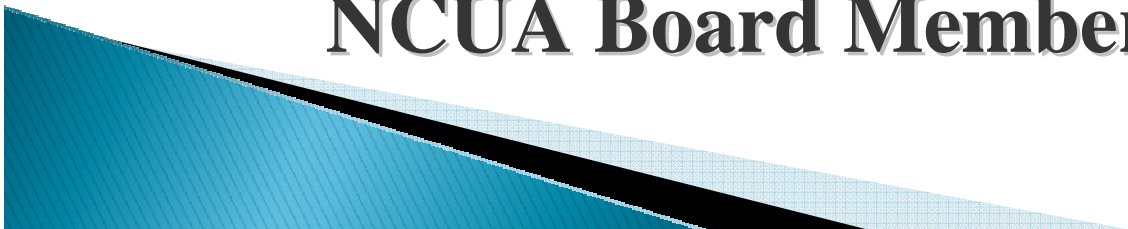
Share Insurance 101



October 7, 2008

Hosted by:

NCUA Board Member Gigi Hyland



Presenters



Frank
Kressman

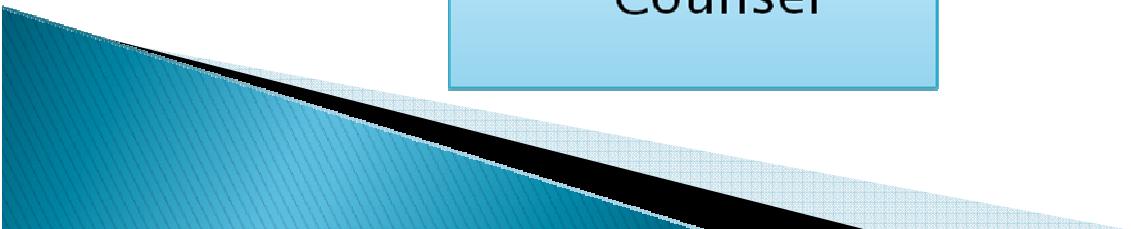
Staff
Attorney

Office of
General
Counsel

Robert
Leonard

Program
Officer

Office of
Examination
and Insurance





Public Confidence

Public Awareness

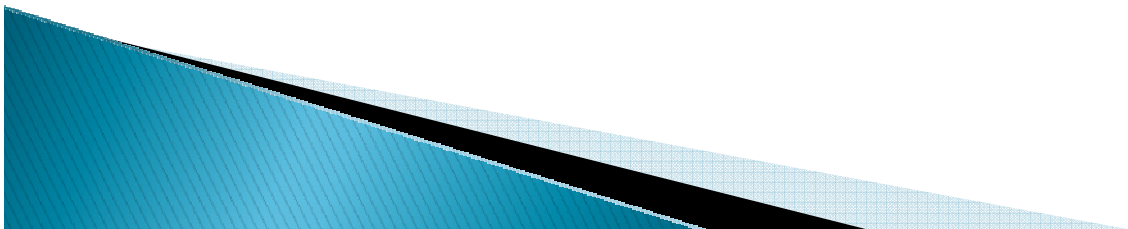
Economic Challenges

How Webinar Will Work

- ▶ Disable “Pop-Up Blocker”
- ▶ Submit questions anytime during the program
- ▶ Questions and poll responses are anonymous

NCUSIF :Member Awareness

Member Awareness Poll Question

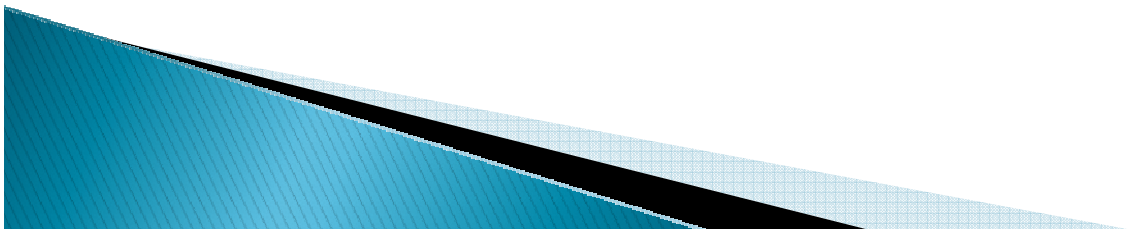


Agenda

- ▶ Legal and Regulatory Requirements
- ▶ Operational Considerations
- ▶ Questions and Answers

NCUSIF :Member Awareness

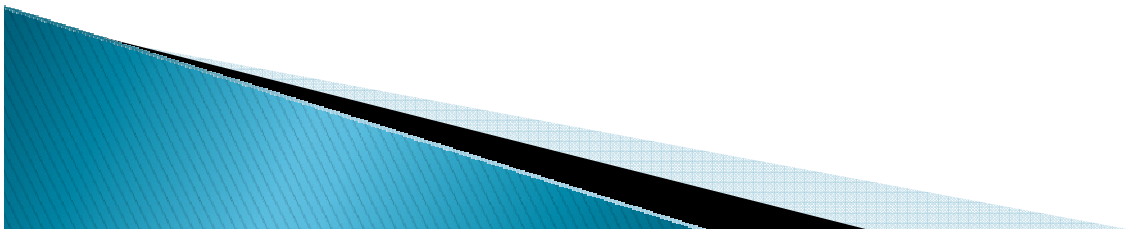
**Member Awareness
Poll
Answers**



Legal and Regulatory Environment

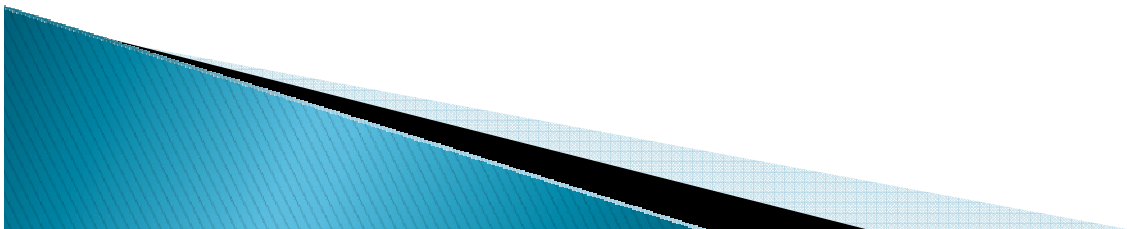
Staff Attorney

Frank Kressman
Office of General Counsel



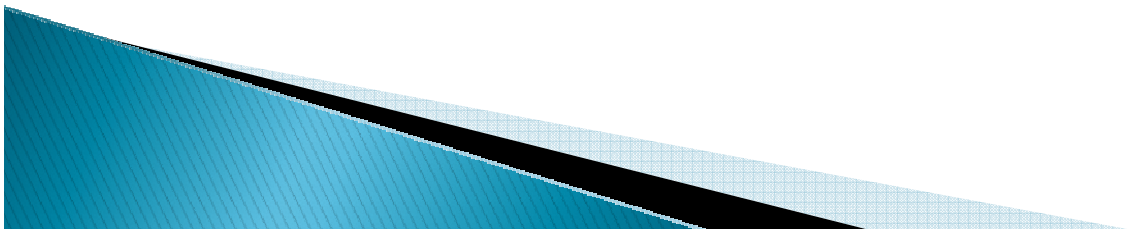
Key Fundamental of Share Insurance Coverage #1

Rules apply to persons who are
**members or otherwise eligible to
maintain an insured account at a
federally insured credit union.**



Key Fundamental of Share Insurance Coverage #2

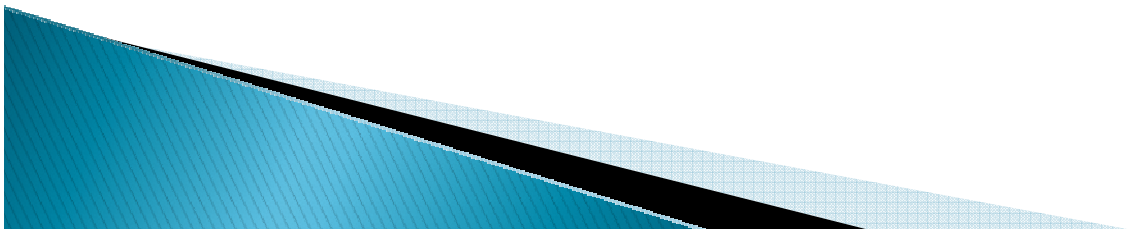
The coverage limits we will discuss apply to relationships members have with individual credit unions. If a member belongs to more than one federally insured credit union, separate coverage exists at each credit union.



Key Fundamental of Share Insurance Coverage #3

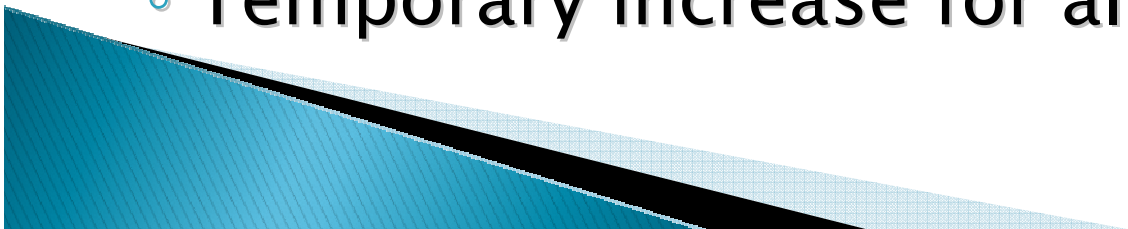
For more complex arrangements, proper structuring is imperative.

For more complex arrangements with *more than one person* holding an account, such as a joint account or trust account, the rules assume the people benefiting from the coverage have equal interests in the accounts unless otherwise documented.



SMSIA Defined in Regulation

- ▶ NCUA's insurance coverage is based on "SMSIA" which stands for "Standard Maximum Share Insurance Amount."
- ▶ As of April 2006 – SMSIA is:
 - \$100,000 for most types of accounts; and
 - \$250,000 for certain types of retirement accounts.
- ▶ October 3, 2008 – Changes
 - Temporary increase for all accounts



Types of Insured Accounts

Individual Accounts or Single Ownership Accounts

Joint Accounts or Joint Ownership Accounts

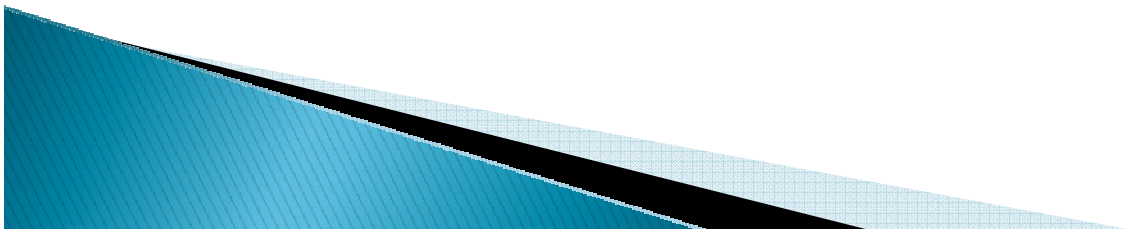
IRA/Keogh Accounts

Accounts Held by Executors or Administrators

Business Accounts

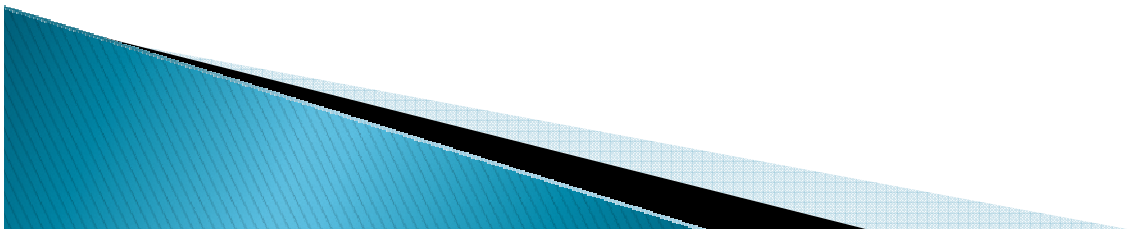
Revocable Trust Accounts

Irrevocable Trust Accounts



Individual Accounts or Single Ownership Accounts

- ▶ Funds deposited in a member's individual name have coverage of \$250,000 in the aggregate.
 - Agents or nominees
 - Custodial loan accounts
 - (i.e., escrow accounts)



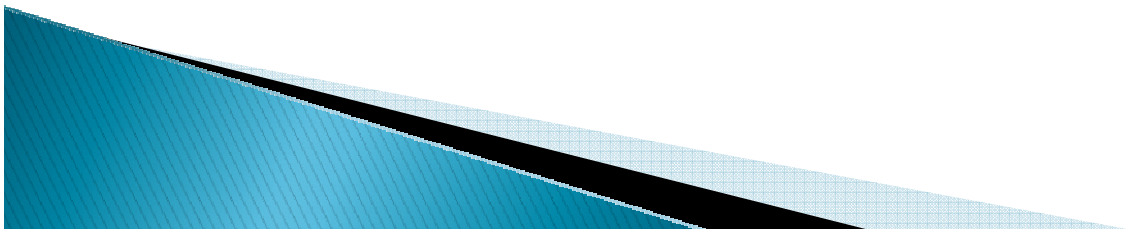
Joint Accounts or Joint Ownership Accounts

- ▶ Have the SMSIA in separate insurance coverage.
- ▶ Characteristics:
 - Each of the co-owners has signed a membership/account signature card;
 - Each co-owner has a right of withdrawal on the same basis as the other co-owners.
- ▶ Different ownership combinations.



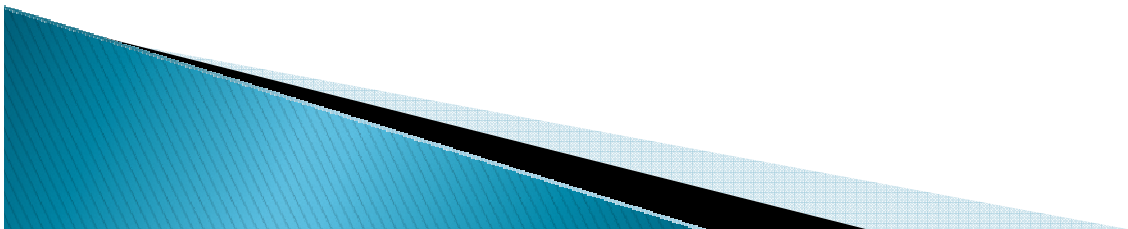
IRA/Keogh Accounts

- ▶ Separate coverage of \$250,000 available.
 - Internal Revenue Code provides rules for structuring certain accounts
 - (i.e., traditional and Roth IRAs).
- ▶ Keogh accounts have up to \$250,000 in separate coverage from that offered for IRAs/Roth IRAs.



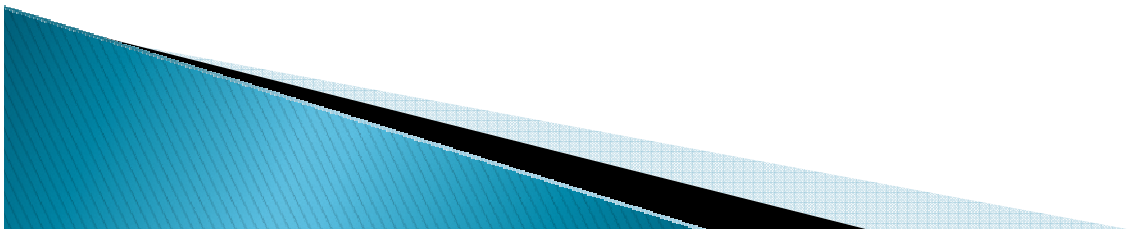
Accounts Held by Executors or Administrators

- ▶ Funds of a decedent held in the name of the decedent or in the name of an executor or administrator of an estate have separate coverage of \$250,000 from that of the individual accounts of the executor, administrator, or beneficiaries of the estate.



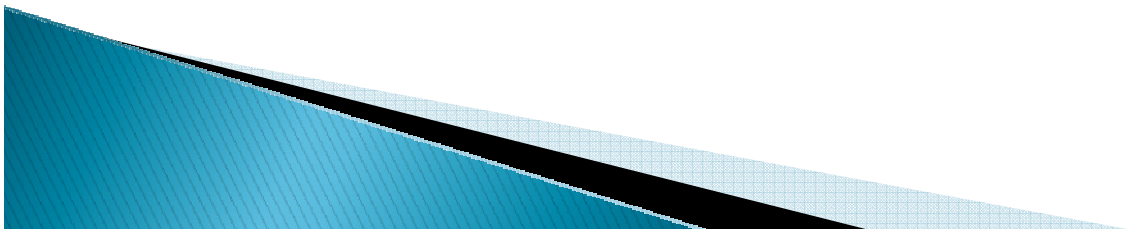
Business Accounts

- ▶ Accounts of a corporation, partnership, or unincorporated association engaged in an independent activity have coverage of \$250,000 in the aggregate.
 - Independent activity means the activity does not have the sole purpose of increasing insurance coverage.



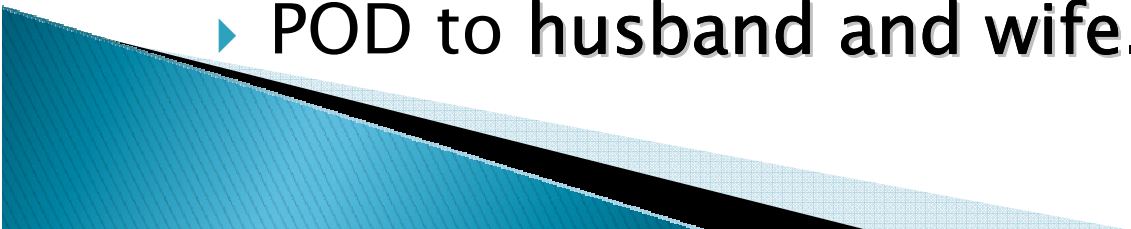
Revocable Trust Accounts

Revocable Trust Poll Question



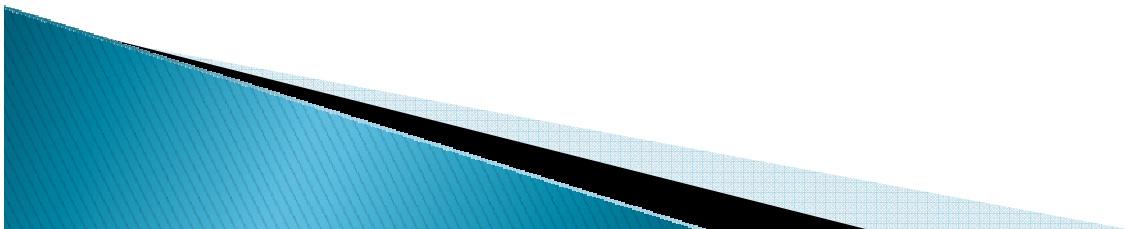
Revocable Trust Accounts

OLD RULE

- ▶ Must display intent of an owner to pass on funds to a named beneficiary upon his or her death.
 - ▶ Payable-on-death (POD) or Living Trusts.
 - ▶ Qualifying beneficiaries:
 - Spouse, child, parent, grandparent, brother, or sister
 - \$100,000 per beneficiary
 - ▶ POD to husband and wife.
- 

Revocable Trust Accounts

Revocable Trust Poll Answers



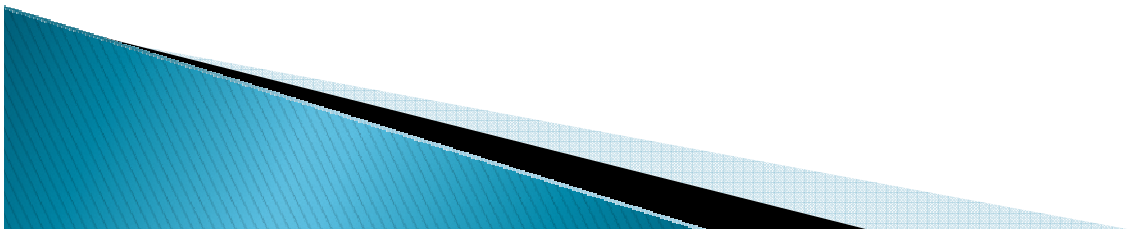
Revocable Trust Accounts

NEW RULE

Interim final rule with 60 day comment period

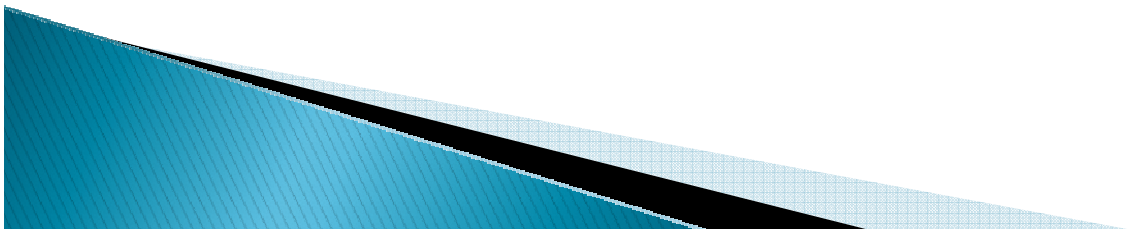
Effective date: October 3, 2008

- ▶ Concept of qualifying beneficiaries abandoned.
- ▶ Equal or greater coverage than old rule.
- ▶ Limitations on accounts with greater than 5 beneficiaries.
- ▶ Revocable trusts converted to irrevocable trusts still insured as revocable trusts.



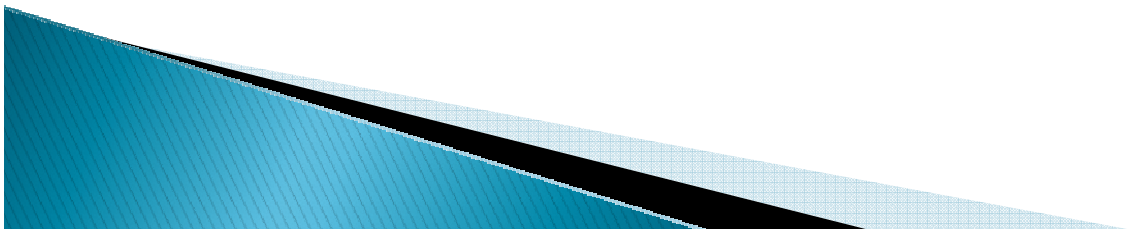
Irrevocable Trust Accounts

- ▶ All trust interests for the same beneficiary, established through a valid irrevocable trust arrangement, have separate aggregate coverage of \$250,000.
- ▶ This coverage includes Coverdell Education Savings Accounts, formerly Education IRAs.



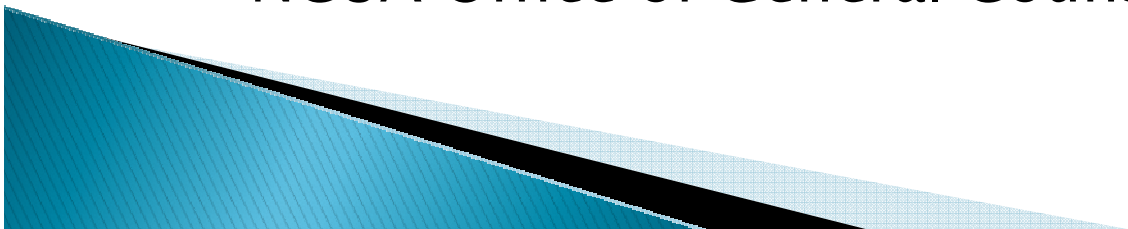
Grace Period for Certain Events

- ▶ NCUA allows a **six-month grace period** for two events that could otherwise limit insurance coverage:
 - The death of a member; or
 - The merger of an insured credit union.



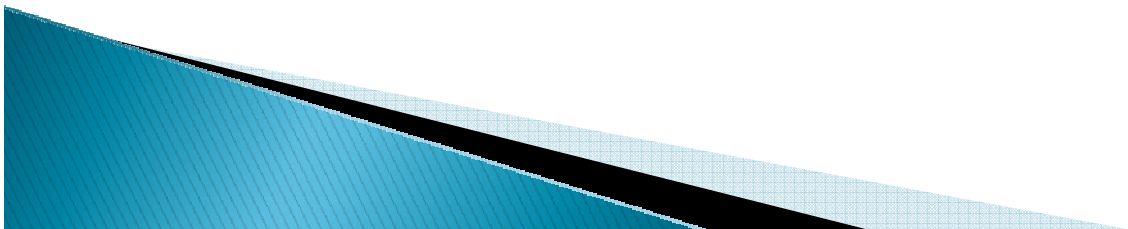
Legal and Regulatory Summary

- ▶ Different kinds of coverage for different kinds of accounts
- ▶ Each account can only be one kind of account at any given time
- ▶ With proper structuring, you should be able to insure almost all of your members' share accounts
- ▶ Additional questions?
 - <http://www.ncua.gov>
 - Contact your region
 - NCUA Office of General Counsel: (703) 518-6540



Share Insurance Operational Issues

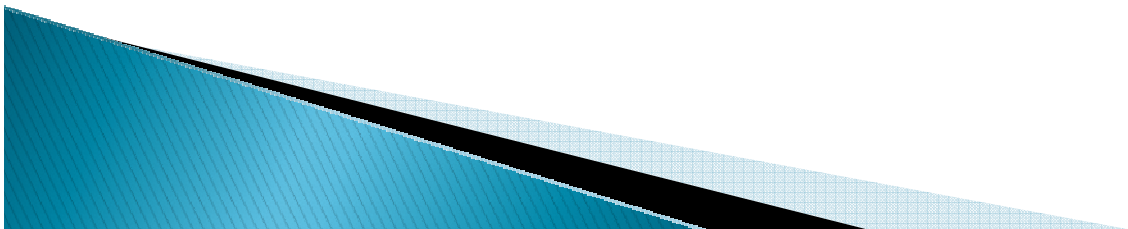
Program Officer
Robert Leonard
Office of Examination and
Insurance



Share Insurance Operational Issues

Credit union officials are doing outstanding work in allowing the federal share insurance system to remain strong.

Since share insurance became law, participation in the credit union system increased dramatically.



National Growth in Credit Union Movement Since Share Insurance Became Available

	1971	June 2008
Members	14.6 million	88.0 million
Shares	\$10.9 billion	\$676.0 billion

Members also continue to view credit unions as a source for safe investments

	Members	Insured Shares	Uninsured Shares
6/30/03	81.9 million	\$473.0 billion	\$49.4 billion
6/30/08	88.0 million	\$600.5 billion	\$75.5 billion
Change	7.45%	26.96%	52.83%

Share Insurance Operational Issues

Federal Share Insurance



```
graph TD; A[Federal Share Insurance] --> B[Stability]; B --> C[Growth]; C --> D[New and Innovative Services];
```

Stability

Growth

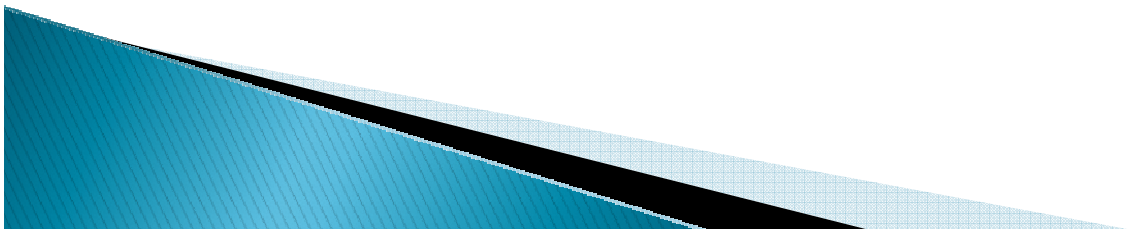
New and Innovative Services

Share Insurance Operational Issues

- ▶ Share insurance issues affect two primary areas of risk your examiner evaluates:

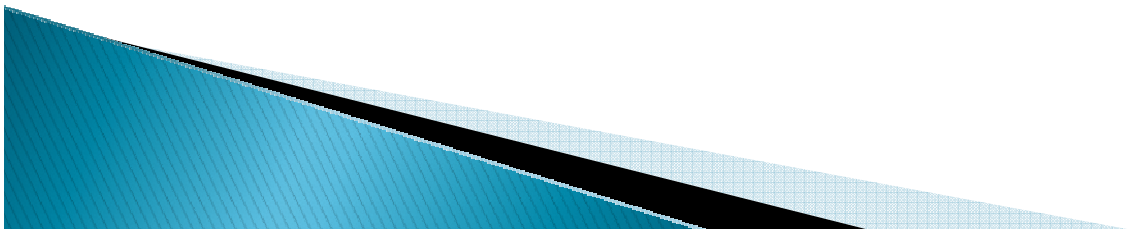
Reputation Risk

Compliance Risk



Share Insurance Operational Issues

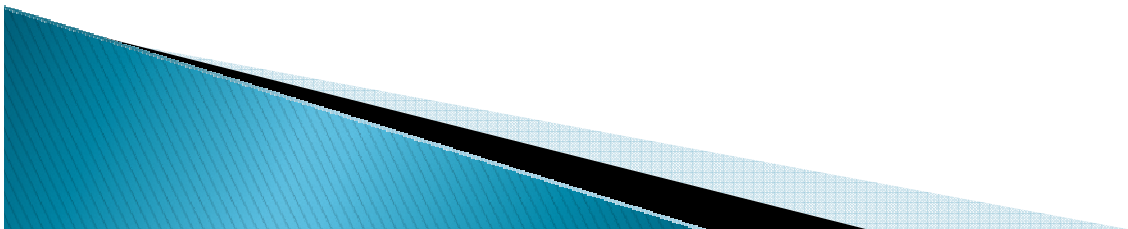
Audit Program Poll Question



Share Insurance Operational Issues

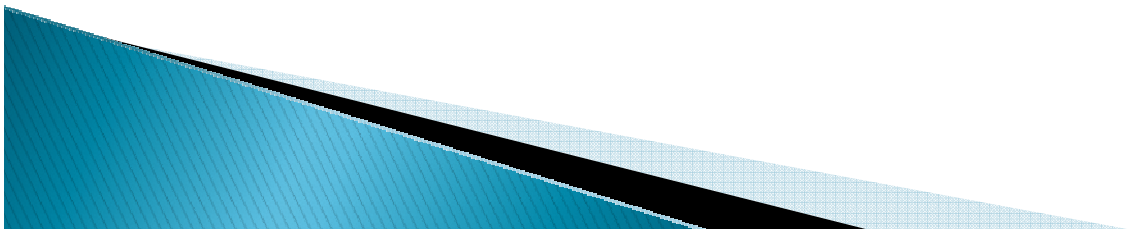
Reputation Risk

Members are more likely to use their credit unions for a broader spectrum of services when they have greater confidence in their insurance coverage.



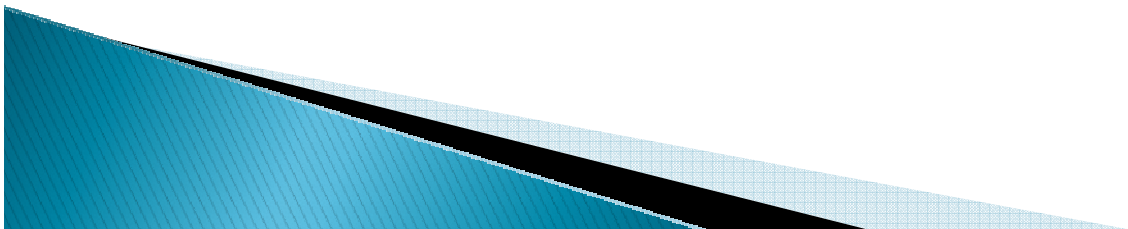
Reputation Risk

- ▶ How your examiner will assess reputation risk:
 - Observations of member service
 - General office environment
 - e.g. availability of brochures/resources
 - Trends with share activity
 - Trends with member complaints



Share Insurance Operational Issues

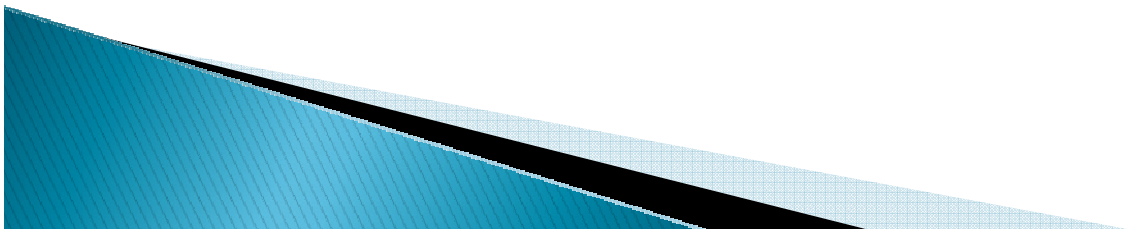
Audit Program
Poll
Answers



Share Insurance Operational Issues

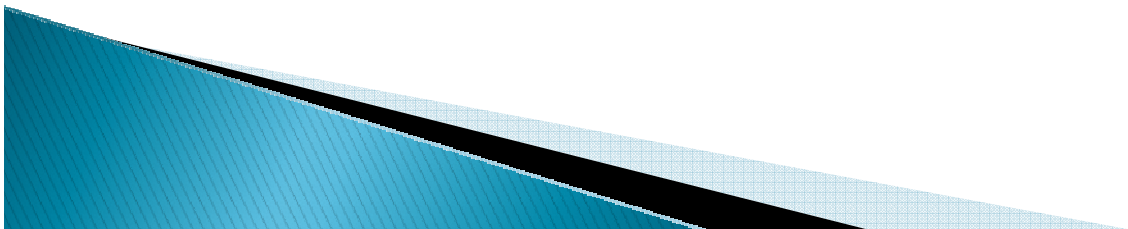
Compliance Risk

Adequate controls are imperative for management when fulfilling its responsibility for accurately reporting insured shares on Call Reports.



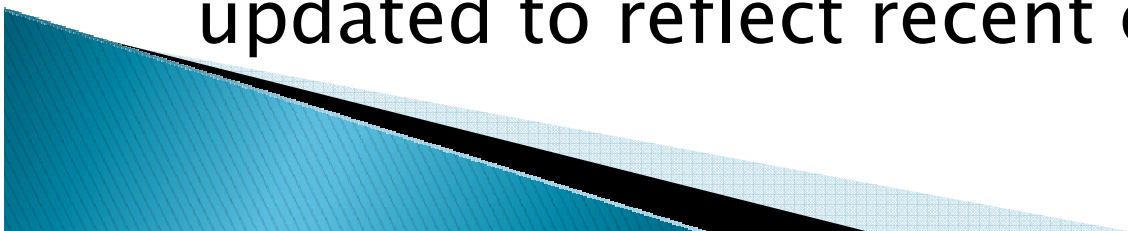
Compliance Risk

- ▶ How your examiner will assess compliance risk:
 - General record keeping controls
 - Involvement of Supervisory Committee/internal audit staff
 - Review of Call Report accuracy
 - Review of vendor relationship management



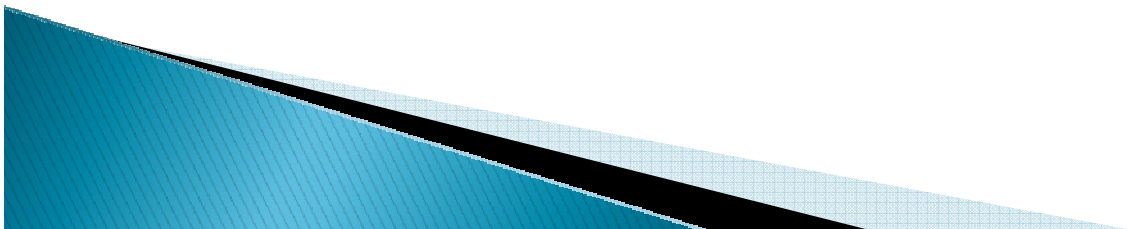
For More Information

- ▶ Part 745 of the NCUA Rules and Regulations is available at:
<http://www.ncua.gov/regulationsopinionslaws/>
- ▶ “Your Insured Funds” publication available in English and Spanish.
- ▶ NCUA’s Internet site also offers an on-line Insurance Estimator (currently being updated to reflect recent changes).



For More Information

- ▶ We have consolidated the resources into a Share Insurance Tool Kit available online at:
<http://www.ncua.gov/ShareInsurance/>
- ▶ Consumer Assistance Center: 800-755-1030
 - Press 1 for Share Insurance questions
- ▶ For specific complex questions, write to your Regional Office. Contact information located on:
http://www.ncua.gov/aboutncua/ncua_directory.html



Screenshot of Tool Kit



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Share Insurance Tool Kit



Is My Credit Union Federally Insured?

You may find the following publications helpful:

- [Video Message from Chairman Michael Fryzel](#)
- [NCUA Share Insurance 101 Webinar, October 7, 2008](#) (Free)
- [Your Insured Funds \(English\)](#)
- [NCUA Share Insurance Estimator](#)
- [Letter to Credit Unions 08-CU-18, Educating Members on Share Insurance Coverage](#)
- [NCUA Initiates Share Insurance Call Center, Tool Kit](#)
- [Media Releases Related to Insurance Protection](#)
- [Insurance Poster](#) (Free)
[Paper Size - 8 1/2 x 11](#) [Poster Size - 24 x 36](#)
- [Insurance Print Ad](#) (Free)
- [High Resolution Insurance Print Ad](#) (Free)
- [NCUA Insurance FAQ Sheet](#)
- [Contact Us](#)

Summary

- ▶ We have reviewed the regulatory and operational issues regarding share insurance.
- ▶ There are several resources available to you:
 - Expanded Resource PowerPoint
 - Share Insurance Tool Kit
 - Consumer Assistance Center: 800-755-1030
 - Press 1 for Share Insurance questions

Webinar Archive Information

- Expanded resource PowerPoint will be available immediately
- A media advisory will be issued when the Share Insurance 101 Webinar becomes available on the www.ncua.gov website. It will include:
 - the video and slide presentations;
 - supporting documents;
 - a complete list of all questions asked by attendees the day of the webinar answered by NCUA experts.

Question & Answer

